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MORTGAGE BANKING

THE MAGAZINE OF REAL ESTATE FINANCE

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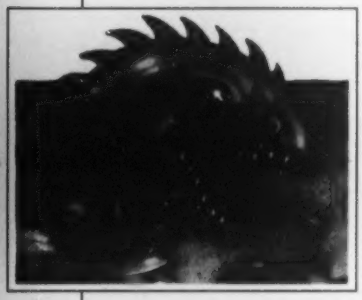

A successful wholesaler has to think about keeping the customers satisfied. And to keep correspondents bringing their loans to your door, you have to present the best face you can on three crucial fronts—price, products and service. Our cover this month depicts these three faces of wholesaling—the bedrock upon which a successful purchase program rests.

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COVER ILLUSTRATION BY SAM WARD

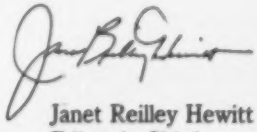
Wholesale Is Big Business

The mortgage banking industry continues to watch as more of its own convert to wholesale. Increasingly, new buyers are cropping up in niches that serve their strategic goals. And sellers setting up their own small shops continue to proliferate, as large retail operations are pared back, merged or shut down.

In our cover story we tried to catch a glimpse of what it's like to be a major purchaser of loans in today's market. And, as it turns out, what it's really like is busy—really busy. At least that was the word from the three wholesalers *Mortgage Banking* sat down with in New York earlier this year.

Although we started out pursuing the views of both buyers and sellers, we ended up with a story focused only on what the buyers see as some important issues of the day. One of those big issues was the land-office business created, at least in part, earlier this year by the risk-based capital rules. It turns out that around the start of this year, many managers of bank- and thrift-owned mortgage production outfits realized that one of the only feasible ways of meeting the parent's new capital requirements was to sell off assets. Living within the capital rules meant many banks and thrifts could no longer continue to grow their asset base by retaining the servicing produced by their origination operations. That, in turn, translated into unexpected volume for some large wholesalers whose niche is buying from bank and thrift correspondents. Our cover story focuses on how the buyers of that production were forced to adjust to handle the runaway volume.

As for the mortgage brokers and other correspondents that we count among our readers, we promise yet another article that sums up the wholesale business from your point of view. Then, we can really get into the subject of turnaround time and persnickety underwriting. Until then, we will let the buyers tell it their way.



Janet Reilley Hewitt
Editor in Chief

COMING IN SEPTEMBER

The internal workings of a mortgage company and how managers can make them work more smoothly and more profitably is our focus next month. Featured is an article releasing the latest results from KPMG Peat Marwick's 1989 Mortgage Servicing Performance Study.

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WHOLESALE COMPETITION

How important is it to be the preferred buyer for a correspondent? It may be more critical than you think, a new survey shows.

Jeff Lebowitz

Correspondents will sell twice the volume to the wholesaler designated as their primary relationship than they will to the number two firm. That is what a just-completed survey on wholesaler-correspondent relationships revealed.

If you are not the primary wholesale outlet, the opportunity cost of not being the first choice of a correspondent is greater than you think.

The selling behavior of an array of correspondents reveals some interesting patterns. The numbers are compelling. The mortgage wholesaler chosen as the preferred buyer of loans is two and a half times more likely to receive more than 25 percent of a correspondent's product than is the seller's second choice for a wholesale outlet.

Once a group of correspondents are selected that complement the wholesaler's production strategy (byproduct, geography, pricing structure, growth and quality goals), the primary marketing objective becomes increasing the share of product sold by each firm. What exactly is involved in pursuing such an objective?

Characteristics of correspondents

The first factor to understand is how your correspondents behave in the marketplace.

Correspondents are usually small shops. But it is helpful to know how small. The figures developed in the Wholesaler Quantitative Survey show distribution of origination volume at the end of 1989. The survey results are based on an analysis of the responses prepared by SSP/RES Research, Washington, D.C. These results clearly suggest that the wholesaler is supporting a small originator in dealing with the typical correspondent. Almost 73 percent originated $100 million or less in 1989. According to Mortech 90, another study performed by SSP/RES Research, 69.8 percent of mortgage banking firms and thrifts originate $100 million or less.

From this 100 million or less group, on average, a wholesaler would stand to get a maximum of $58 million in production, if a typical correspondent were to sell all its production to a single firm. However, the SSP/RES survey shows there is less than a 50 percent chance (46.5 percent) that a correspondent will sell all its production to the secondary market. Even the primary respondent for the typical correspondent surveyed stands less than a 50-50 chance (45.5 percent) of buying as much as 50 percent of that originator's product. That amounts to having one chance in five of buying half of a correspondent's current production. If the wholesaler is in a secondary position as a favored wholesale outlet, the probability falls to about one chance in ten for getting half of a seller's production. Carried

further, the wholesaler in the third position has about two chances in a hundred of getting at the lot of a correspondent's current production.

Increasing business

One way of meeting business objectives would be simply to line up as many correspondents as possible. For every 50 correspondents signed up you might bring in $58 million in production. But, what about the competition in the wholesale business?

The survey found that 47.3 percent of correspondents have relationships with two to five wholesalers. More than one-third of correspondents responding to the survey—36.3 percent to be exact—do business with six to ten of the firms competing as wholesalers. The principal objective for the wholesaler is to reduce the correspondent's number of active wholesaler relationships to as close to one as the market and economics allow.

Generally, it is more efficient to increase volume from existing customers than it is to build new relationships. The SSP/RES Mortech 90 study indicates that more than half of the firms in the mortgage industry currently sell no loans to wholesalers. Therefore, finding potential sellers that meet your performance standards is a challenge in and of itself. Once you have located them, turning new accounts into worthwhile relationships becomes a formidable marketing task. The Wholesaler Quantitative Survey shows that correspondents are likely to be very satisfied (34.7 percent) or satisfied (41.1 percent) with the overall performance of their primary wholesale relationship. Therefore, getting correspondents to switch allegiance takes understanding, organization and good execution.

Capturing market share

Wholesalers are confronted with the tough task of trying to isolate good correspondents and woo them from current relationships that are typically not unsatisfactory. Capturing the hearts and minds of new correspondents requires execution of business fundamentals in the most single-minded and dedicated way.

For those in the wholesale business, the first objective should be to retain, and then, improve existing relationships. It is as important to understand why correspondents abandon a business relationship with a wholesaler as it is to open a new account. The three categories of reasons revealed in the survey for diminished wholesaler relationships are as follows: pricing (36.9 percent), underwriting (25.6 percent) and customer service (15.9 percent).

CAPTURING THE HEARTS AND MINDS OF NEW CORRESPONDENTS REQUIRES EXECUTION OF BUSINESS FUNDAMENTALS IN THE MOST SINGLE-MINDED AND DEDICATED WAY.

Pricing

A wholesaler's pricing performance is viewed by correspondents from two perspectives—competitiveness and consistency. Proper pricing depends on being close to market, but, as important to survey respondents was the wholesaler's maintaining that competitive price. In fact, larger correspondents indicated they regard consistency in pricing as more important to them (50.5 percent) than pricing competitiveness alone (38.7 percent).

Correspondents need to receive clear and consistent pricing policy information. As a trading partner, a correspondent should have a current understanding of the wholesaler's pricing policies (in addition to price quotes). By using all available media with correspondents, a wholesaler can hope that sufficient display and repetition of pricing information will eliminate ambiguities. Printed pricing information (pricing manuals), electronic display (electronic bulletin board pricing information), and account executive consulting can be used in combination to help ensure that correspondents understand current pricing details and strategies. Repetition is often a precursor to knowledge.

Junk fees emerged in the survey as an issue that needs attention. Complicated pricing that includes a host of miscellaneous charges is a put-off to a significant number of correspondents (9.4 percent). Such yield enhancements are transparent and occasionally force a correspondent to take his business elsewhere. Minimizing the use of junk fees will simplify communication and streamline the administration of a trading relationship.

Underwriting

Among current primary wholesaler relationships, unclear and inconsistent underwriting policies was the factor most likely to cause concern for correspondents. Of all relationship-defining factors, correspondents are likely to be least satisfied with underwriting in their primary relationship, the survey found.

The two major factors that correspondents are least satisfied with in the area of underwriting are consistency and the time it takes for a wholesaler to arrive at an underwriting decision. Note that correspondents were not expressing concerns about the wholesaler's basic underwriting principles, but with the operational and

CHART 1

Loan Sale Behavior

Percent of Correspondents' Sales	Sold to Primary Wholesaler	Sold to Secondary Wholesaler	Sold to Tertiary Wholesaler
51%+	18.8%	1.4%	1.6%
26%-50%	45.5%	23.8%	9.4%
25% or less	30.5%	70.7%	85.2%

Source:Wholesaler Quantitative Survey

CHART 2

Origination Volume	% of Firms Originating
$50 million of less	47.9%
$51-$100 million	24.7%
more than $100 million	22.7%

Source:Wholesaler Quantitative Survey

CHART 3

Assessing Wholesaler Service

Service Component	Percent Correspondents*
Timely resolution	39.6%
Negotiation flexibility	16.8%
Access to decision-maker	13.9%

*Note: percent stating primary concern.

Source:Wholesaler Quantitative Survey

informational issues that surround the underwriting process.

Timeliness in decision-making is the cornerstone to building a lasting business relationship with a correspondent. According to the Wholesaler Quantitative Survey, taking more than two days to return an underwriting decision could wear unnecessarily on relations with a correspondent. In the not-too-distant future, a one-day turnaround may become the industry standard. At minimum, wholesalers should be monitoring regularly elapsed time from underwriting inquiry to the return of a decision.

Organizing the underwriting department to enable it to be responsive to customer operational needs is critical. Technology, adequate to meeting service needs, is available and has been adequately field-tested. Electronic links to credit bureaus, appraisers and the primary market can reduce markedly the time for gathering underwriting data. Actual decision-making can be aided and accelerated through the help of artificial intelligence. Such systems are still in the experimental stage, but wholesalers should monitor their development. The lead time (a minimum of one year) for integrating the underwriting process into an artificial intelligence system has to be factored into your thinking.

The consistency of underwriting decisions is partly an informational issue. Similar to pricing, communicating the principles of underwriting and the reasons any policy changes are made, is critical to correspondent understanding and satisfaction. Manuals, bulletin board updates and account executive briefings are the essential means available to help knit correspondent and wholesaler operations more closely together.

Another key to delivering consistency in underwriting performance is that wholesalers must make certain that everyone involved in the business relationship with a correspondent is coordinated in thought and in action. Everyone on the wholesaler's staff

EVERYONE ON THE WHOLESALER'S STAFF MUST BE SINGING FROM THE SAME HYMNAL, IN TUNE, AND ON TIME.

must be singing from the same hymnal, in tune, and on time. All underwriting documentation should be kept current. Staff should be in-

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formed, trained and kept up-to-date. Merely circulating memos and documentation is never sufficient to ensure that underwriting principles and guideline changes are adequately communicated.

Service

The fundamental message being stressed in business schools and by management consultants today is that the key to remaining competitive rests on your ability to provide and maintain product and service quality. After studying thousands of business cases, the Strategic Planning Institute, Cambridge, Massachusetts, concluded that firms perceived to offer superior quality are likely to be twice as profitable (return on investment) as those demonstrating inferior quality. It appears that the perceptions that customers have of the quality of your performance are, in the long run, of equal importance to the substance that underlies quality performance.

The Wholesaler Quantitative Survey asked correspondents about service concerns that were raised by the nature of their relationship with their number one wholesaler. Chart 3, assessing wholsaler service issues, highlights the results.

Clearly, the primary service issue brought up by correspondents responding to the survey was the difficulty they have in obtaining timely responses to inquiries and to problems raised with the wholesaler's staff. Normally, the primary contact between a correspondent and the wholesaler is through the account executive. In order to improve service levels, it makes sense to assign support staff to each correspondent to field day-to-day inquiries. The account executive is then freed to spend more time marketing. Whenever possible, it appears worthwhile to try to reduce the number of people involved between the receipt of an inquiry and the delivery of an answer.

A wholesaler's complete service package incorporates underwriting, funding, problem resolution, and servicing. Management's responsibility is to measure and maintain the level of service so as to make it superior to the competition. But quality has two aspects— conformance and perception.

Conformance means actually setting up procedures that reduce operating errors and that allow rapid response to changing market needs and conditions. Perceived quality is a concept of relativity—relative to a competitor's performance and relative to the correspondent's expectation of what your performance should be. Managing perceived quality requires surveying your customers about their perceptions and also requires formal monitoring of the service offered by competitors.

The potential rewards of providing superior service are considerable. They include greater correspondent loyalty, increased pricing latitude, lower marketing costs, increased volume from existing customers and improved market position and share. Clearly, large dividends can be reaped from instituting a formal program for improving the quality of service offered to correspondents.

Putting it all together

The plan to become "number one" in the eyes of your correspondent requires a systematic review and

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updating of all aspects of your service package. That includes how you measure up in the following areas: pricing, servicing, funding, product array, staffing, underwriting and customer support.

The staff member closest to the issues and in the best position to manage the assessment of service quality is the head of correspondent banking. The argument that a correspondent is more than a source of production; it is a separate business—is an argument with merit. Most aspects of the correspondent relationship are tied to the fundamental business of the wholesaler, but the relationship does contain its own unique properties. The product line offered to correspondents may differ from that offered through retail production. Certainly, product pricing is unique. The correspondent has its own set of customer sales and service needs. The competitors the wholesaler faces are unique to that line of business. Even the measures of performance, control and compensation may be specialized and differ from the other sources of production within the firm.

The head of correspondent banking is really the president of a distinct line of business. They need the budget and management authority to make decisions rapidly that benefit that unique segment of the business. The primary connection between wholesale and the rest of the company is through secondary marketing. One way to conceive of this relationship is to think of secondary marketing as the primary buyer of product from the correspondent business. If a correspondent is unhappy with the price or terms offered by marketing, is there a compelling reason why the head of the correspondent program should be barred from selling directly into the secondary market?

The measure of success, ultimately, is the total profitability of this line of business, as well as the entire firm. Some mortgage companies charge back marketing losses to the correspondent business, but do not give that sector credit for marketing profits. Such practices blur the real performance of the wholesale business.

After reviewing the unique management terrain of the wholesale business, one thing becomes clear. The crucial element of an effective management philosophy lies in giving the head of correspondent banking authority over the service mix offered wholesale customers. In a business as competitive as this is, giving the manager closest to the customer ample rein is the most viable route to becoming number one. **MB**

Note: Copies of the studies upon which this article was based—The Wholesaler Quantitative Survey and Mortech90 (a study of the use of technology in the mortgage industry)—are available from:

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ECONOMIC TRENDS

The homeownership rate in the United States in 1989 was a little below 64 percent, about the same as the rate in the preceding four years. However, as with many national statistics, the level and stability of the national homeownership rate masks a significant amount of variation in local markets.

Table 1 shows the distribution of homeownership rates among states in each region. The intervals of homeownership rates are set so that roughly one quarter of all states fall into each interval. Coincidentally, the top homeownership rate in the lowest interval is about the same as the national homeownership rate. This interval contains only 12 states. That means that 39 states (counting the District of Columbia as a state) have homeownership rates above the national average. The reason the national average is so much lower than the rates in most states is that many of the 12 states in the lowest interval are among the most populous. Consequently, the relatively low homeownership rates in the populous states tend to pull the national average down.

The regional distributions are interesting. One-third of the states in the Northeast have homeownership rates in the lowest interval (63.9 percent or less); but another one-third have rates in the highest interval (69.3 percent or more), making the Northeast the most diverse of the regions.

Homeownership rates in the South and the Midwest tend to be relatively high. In both regions, about two-thirds of the states have homeownership rates of 67.1 percent or more—well above the national average. At the lower end, only three states in the South, and one state in the Midwest have homeownership rates below the national average. Further, two of these three states in the South—the District of Columbia and Maryland—more or less border the Northeast.

Homeownership rates tend to be relatively low in the West. Five states have rates below the national average, with five more having rates below 67 percent. Only three states—fewer than one-quarter of the states in the region—have rates more than 67 percent—a share well below any of the other regions.

To explore the source of differences in state homeownership rates, Table 2 shows the seven states with the highest homeownership rates and the seven states with the lowest homeownership rates. The simple average of the homeownership rate in the seven states with the highest rates is 72.6 percent; the average for the states with the lowest rates is only 52.6 percent.

Not surprising considering the tallies shown in Table 1, most of the states with the highest homeownership rates are located in the South, including West Virginia, Mississippi, South Carolina and Oklahoma. Two of the remaining states—Maine and Pennsylvania—are in the Northeast and one—Michigan—is in the Midwest. None of the top seven is in the West.

However, most of the states with the lowest rates are in the West—Hawaii, California, Nevada and Alaska. Two of the remaining states—New York and Massachusetts—are in the Northeast and one—the District of Columbia—is in the South.

Part of the explanation for differences between these two groups of states has to do with the fact that renting is more common in heavily urbanized areas for a variety of reasons, and many of the states with low homeownership rates are heavily urbanized. However, housing affordability, which also partly explains lower rates in urban areas generally, is clearly a factor in differences between these two groups of states.

The average home price of the seven low homeownership rate states—$161,000—is nearly 75 percent higher than the average home price of the seven high homeownership rate states—$93,000. Incomes are higher in the low homeownership rate states too, but not nearly enough to offset the differences in prices.

As the table shows, home prices averaged about 6½ times per capita income in the high homeownership states compared to around eight times in low homeownership states. At the extreme, prices are more than nine times income in California and Hawaii. With prices soaring above incomes in many states, it is not surprising to hear frequent cries of a continued affordability crisis. This crisis likely accounts for continued, relatively low homeownership rates in many large states.

Thomas M. Holloway
Senior Economist

TABLE 1

Distribution of Homeownership Rates Among States in Each Region

	Number of States with Homeownership Rates:				
Region	63.9 Percent or Less	64.0 Percent to 66.9 Percent	67.1 Percent to 68.8 Percent	69.3 Percent or More	Total Number of States in Each Region
Northeast	3	2	1	3	9
Midwest	1	3	6	2	12
South	3	3	5	6	17
West	5	5	1	2	13
U.S. Total	12	13	13	13	51

TABLE 2

Homeownership Rates for States and the District of Columbia (1987-89 Average)

Seven Highest				Seven Lowest			
State	Homeownership Rate (Percent)	Average Home Price ($ Thousands)	Ratio of Home Price to Per Capita Income	State	Homeownership Rate (Percent)	Average Home Price ($ Thousands)	Ratio of Home Price to Per Capita Income
West Virginia	73.5	80	6.4	District of Columbia	37.3	186	7.9
Maine	73.0	105	6.4	New York	51.7	151	7.4
Mississippi	72.8	77	6.5	Hawaii	52.9	180	9.8
Michigan	72.5	95	5.4	California	54.1	182	9.2
South Carolina	72.5	98	7.2	Nevada	54.2	140	7.4
Pennsylvania	72.2	95	5.5	Alaska	58.5	117	5.5
Oklahoma	71.5	100	7.1	Massachusetts	59.8	169	7.6
Average	72.6	93	6.4	Average	52.6	161	7.8

VITAL STATISTICS

INTEREST RATES & YIELDS
1- TO 4-FAMILY MORTGAGES

	FHA OPINION SURVEY	FHFB			FNMA		FHLMC	
1990	FHA New Homes[1]	CONVENTIONAL[2] FRM	ARM	Median Cost of Funds FSLIC Institutions	1-Yr. ARM	FRM Conv.	ARMs	FRMs
MAR	10.26%	10.38%	9.22%	NA	8.53%	10.23%	8.53%	10.27%
APR	10.53	10.50	9.21	NA	8.60	10.37	8.55	10.37
MAY	10.49	10.54	9.28	NA	8.45	10.29	8.59	10.48
JUN	**NA**	**10.57**	**NA**	**NA**	**8.27**	**9.98**	**8.49**	**10.16**

SELECTED SECURITIES

		PRIME COMMERCIAL PAPER	U.S. GOVERNMENT				
1990	FEDERAL FUNDS RATE	(3-Month)	6-Month	1-Year	3-Year	10-Year	A-Rated Utility
MAR	8.28%	8.28%	7.85%	8.35%	8.63%	8.59%	9.92%
APR	8.26	8.30	7.84	8.40	8.78	8.79	10.09
MAY	8.18	8.25	7.76	8.32	8.69	8.76	10.04
JUN	**8.29**	**8.14**	**7.63**	**8.10**	**8.40**	**8.48**	**9.85**

CURRENT SECONDARY MARKET YIELDS

1990	GNMA[3]	FNMA[3]	FHLMC[3]
MAR	9.87%	9.85%	9.84%
APR	10.01	9.94	9.94
MAY	9.99	9.93	9.92
JUN	**9.73**	**9.73**	**9.72**

SPREADS
(Basis Points)

	GNMA	FNMA	FHLMC
	Minus 10-Yr. Govt.	Minus 10-Yr. Govt.	Minus 10-Yr. Govt.
MAR	128	126	125
APR	122	115	115
MAY	123	117	116
JUN	**125**	**125**	**124**

SECONDARY MARKET ACTIVITY
(Dollars in Millions)

	FNMA				FHLMC*				GNMA	
	Portfolio		Mortgage-Backed Securities						Pass-Through Securities	
1990	Commitments**	Purchases	Out-Standing	Issued	Commitments To Sell	Commitments To Buy	Mortgages Purchased	PCs Issued	Applications	Issued
FEB	$1,690	$1,537	$239,853	$7,972	$4,922	$5,922	$5,676	$5,796	$3,680	$5,272
MAR	1,754	1,945	246,391	8,339	7,061	6,118	6,301	6,502	5,274	4,930
APR	1,568	1,705	252,236	7,790	7,211	10,441	5,719	5,687	1,667	4,477
MAY	**1,960**	**1,630**	**257,218**	**7,081**	**NA**	**NA**	**NA**	**NA**	**6,923**	**4,993**
1989 TOTAL	27,409	22,518	---	69,764	85,408	86,263	78,589	73,518	60,149	57,522
1988 TOTAL	23,435	23,110	---	54,878	41,271	70,669	44,075	39,777	58,578	56,531
5 MONTH AVG. 1990	1,726	1,806	---	7,788	6,699	7,625	6,029	6,120	4,515	4,984
1989	1,832	1,198	---	4,505	5,733	7,260	5,227	4,975	4,083	4,115
1988	2,658	2,244	---	3,654	2,358	4,833	2,792	2,206	3,982	3,616

*FHLMC year to date averages are one month behind.
**Does not include standby commitments issued, but includes standby commitments converted.

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES

(Units in Thousands, Seasonally Adjusted Annual Rates)

	BY TYPE OF UNIT						BY REGION							
	HOUSING STARTS			BUILDING PERMITS			HOUSING STARTS				BUILDING PERMITS			
1990	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Northeast	Midwest	South	West	Northeast	Midwest	South	West
FEB	1,488	1,196	292	1,297	1,041	256	224	293	581	390	170	293	442	387
MAR	1,307	1,031	276	1,232	969	263	139	280	520	368	145	249	453	385
APR	1,224	959	265	1,108	870	238	127	289	471	337	120	238	423	327
MAY	**1,207**	**932**	**275**	**1,057**	**843**	**214**	**129**	**266**	**486**	**326**	**124**	**220**	**408**	**305**
1989 TOTAL	1,376	1,059	318	1,338	998	340	179	266	536	396	179	252	505	402
1988 TOTAL	1,488	1,140	348	1,456	1,070	386	235	274	575	404	230	266	544	416
5 MONTH AVG. (SAAR)														
1990	1,359	1,054	305	1,287	959	327	157	300	517	384	151	297	472	366
1989	1,433	1,096	337	1,361	1,014	347	210	277	560	386	197	262	512	391
1988	1,474	1,127	347	1,416	1,049	367	266	266	559	383	257	258	518	382

HOME SALES

(Units in Thousands)

	EXISTING HOMES			NEW HOMES		
1990	Sold (SAAR)	Available for Sale	Months Supply At Current Sales Rate	Sold (SAAR)	Available for Sale	Months Supply At Current Sales Rate
FEB	3,400	2,330	8.2	606	366	7.5
MAR	3,400	2,340	8.2	559	363	7.7
APR	3,330	2,660	9.6	530	362	8.4
MAY	**3,290**	**2,700**	**9.9**	**532**	**358**	**8.2**
1989 TOTAL	3,440	—	—	650	—	—
1988 TOTAL	3,594	—	—	676	—	—
5 MONTH AVG. (SAAR)						
1990	3,388	—	—	568	—	—
1989	3,466	—	—	629	—	—
1988	3,398	—	—	653	—	—

VALUE OF NEW PRIVATE CONSTRUCTION PUT IN PLACE

(Units in Billions of 1987 Dollars, Seasonally Adjusted Annual Rates)

1990	Total[1]	1–Unit	2+ Units	Nonresidential
FEB	$313.2	$113.9	$18.4	$96.0
MAR	316.3	114.3	18.2	95.6
APR	312.4	110.1	18.7	94.2
MAY	**306.6**	**106.2**	**18.8**	**92.2**
1989 TOTAL	308.5	108.3	20.7	96.0
1988 TOTAL	314.4	112.0	21.4	93.5
5 MONTH AVG. (SAAR)				
1990	311.5	110.9	18.4	94.4
1989	312.1	111.0	21.3	95.2
1988	315.1	112.1	21.3	94.2

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED
By Type of Institution and By Type of Unit
(Dollars in Millions)

	1-4 UNITS					5+ UNITS					NONRESIDENTIAL				
	Total[4]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies	Total[4]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies	Total[4]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies
1989															
DEC	$31,039	$5,555	$13,859	$10,951	$325	$3,706	$592	$1,371	$1,076	$333	$17,570	$11	$1,053	$12,970	$3,251
1990															
JAN	34,012	9,802	11,023	12,578	247	3,228	866	884	777	377	17,223	149	765	12,928	3,139
FEB	30,279	9,867	9,938	10,129	27	3,042	682	804	768	551	14,041	202	883	9,469	3,320
MAR	**30,572**	**8,703**	**9,445**	**12,014**	**29**	**2,395**	**557**	**750**	**802**	**61**	**18,892**	**102**	**907**	**14,794**	**2,978**
1989 TOTAL	352,026	65,606	157,676	123,193	1,443	31,145	4,443	13,469	7,669	2,786	149,950	1,688	14,476	106,424	25,675
1988 TOTAL	383,566	85,307	188,871	101,863	3,331	38,158	4,526	20,551	6,920	3,732	181,604	1,092	24,368	124,106	29,986
3 MONTH AVG.															
1990	31,621	9,457	10,135	11,574	101	2,888	702	813	782	330	16,719	151	852	12,397	3,146
1989	26,271	5,257	12,612	8,041	61	2,643	282	1,433	540	179	10,492	74	1,578	7,243	1,461
1988	24,008	5,940	11,142	6526	79	2,312	234	1,362	386	176	14,155	54	1,967	10,437	1,466

MORTGAGE INSURANCE
(Units in Thousands, Dollars in Millions)

	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
	TOTAL	FHA[8]	VA	PRIVATE	TOTAL		FHA		VA		PRIVATE	
					Units	Amount	Units	Amount	Units	Amount	Units	Amount
1990												
FEB	131	83	16	31	103	$7,853	64	$4,076	18	$1,386	22	$2,391
MAR	158	99	18	41	113	8,769	68	4,442	19	1,538	26	2,789
APR	149	88	16	45	110	8,601	65	4,267	15	1,157	30	3,177
MAY	**155**	**93**	**17**	**45**	**112**	**8,919**	**65**	**4,382**	**15**	**1,236**	**32**	**3,301**
1989 TOTAL	1,687	990	194	503	1,274	95,956	726	45,893	183	12,946	365	37,117
1988 TOTAL	1,755	949	211	595	1,334	98,012	699	42,577	211	15,771	424	39,664
5 MONTH AVG.												
1990	144	88	17	39	111	8,636	66	4,319	17	1,344	28	2,973
1989	129	76	15	38	98	7,338	56	3,512	16	1,224	26	2,602
1988	152	87	16	49	104	7,468	56	3,357	17	1,246	31	2,865

NA—Not Available; SAAR—Seasonally Adjusted Annual Rate

[1]Secondary market gross yields. Numbers shown for each month are the average of yields from the first day of the month shown and the first day of the subsequent month.

[2]Effective rate on loans closed.

[3]Securities for 0- to 30-day delivery.

[4]In addition to the categories of private construction shown, the total also includes these categories: residential improvements, railroads, electric light and power, gas, telephone and telegraph, petroleum pipelines, and farm nonresidential.

[5]In addition to the categories shown, the total also includes private pension funds, private MBS conduits, state and local retirement funds, federal credit agencies, mortgage pools, and state and local investment agencies.

[7]Savings & Loans and Mutual Savings Banks.

[8]FHA applications received includes the Direct Endorsement Program.